UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Washington, D. C.

GENERAL SUMMARY OF THE MAIN PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938

The Agricultural Adjustment Act of 1938 seeks to promote a conservative and efficient use of National soil resources, and to provide consumers with adequate and stable reserves of food. It seeks to minimize fluctuations in supplies and prices of farm commodities in interstate and foreign commerce and thus stabilize and increase farm income and buying power. It strengthens previous farm legislation and supplements it with measures for stabilizing supplies of five major farm commodities -- cotton, wheat, corn, tobacco, and rice.

The soil-conservation program is continued as before, with amendments that make mandatory a number of procedures that were formerly left to the discretion of the Secretary of Agriculture. Such amendments call for the use of democratically elected local and county committees, for a specific division of available funds among the various farm crops, for fixed increases in the smaller soil-conservation payments, and for definite limitation of the payments of operators of large farms.

In addition to such changes in the Soil Conservation and Domestic Allotment Act, the new Act provides a number of new measures for the further protection of the Nation's producers and consumers as well as of the Nation's soil. Such provisions deal mainly with the stabilization of farm marketing so as to avoid the harmful extremes of scarcity and wasteful excess.

The Outstanding New Provisions

One of the new provisions calls for mandatory loans to farmers on stored commodities to enable them to withhold their surplus production from the market until that surplus is actually needed. Such loans apply to cotton, corn, and wheat. The loans have lower and upper limits of 52 and 75 percent of parity price, and are to be made when specified surpluses are evident. The loans are to be made by the Commodity Credit Corporation, which may also make loans on other commodities at rates fixed by the Secretary of Agriculture. As a protection for the government investment in loans, no loans are to be made on any commodity if producers veto the marketing quota for that commodity.

Another provision, to be used in connection with marketing quotas, requires the release of storage supplies of corn to meet any shortage that arises either on the farm or in the county, or in any time of National need. All quota provisions are subject to termination in time of National emergency, and must be adjusted or suspended to meet increases in exports or shortage in domestic supplies.

A third provision calls for crop insurance for wheat, another general protective measure for both producer and consumer. Beginning with the crop harvest in 1939, such insurance is to be made available to wheat growers. Losses of yields, not of prices, are to be insured against. The insurance will cover either 50 or 75 percent of average yields, and the premiums will vary with the coverage and with the wheat loss-experience of the farm and county. Premium reserves must be held by the insurance corporation in the form of wheat, which will serve both as insurance protection to the grower and as a reserve wheat supply for the consumer.

The Act sets up a Federal Crop Insurance Corporation to administer the insurance program, and authorizes $100,000,000 for capital stock and $6,000,000 for administrative expenses. Administrative and storage costs are to be paid by the Corporation, so that the wheat paid in as premiums can be used entirely for payment of losses.

Important in their strengthening effect on the soil-conservation program are the annual acreage allotments and the conditional marketing quotas to producers of the five major farm commodities. The special provisions for these crops dove-tail into the soil-conservation program in such a way as to bolster its effectiveness. Payments to farmers remain conditional on conservational farming methods. These provisions are summarized below for each of the five crops:

Cotton

A National allotment in terms of the number of bales needed to make a normal supply available during the next marketing year is to be made annually by the Secretary of Agriculture. The allotments for 1938 and 1939, however, must be between 10 and 11 1/2 million bales.

The provisions of the Act specify how the bale allotment is to be divided among the growers. In general, it is to be apportioned among the States according to past production; each State allotment then (converted into acreage terms) is to be apportioned among the counties according to past acreage; and the county allotments are to be given to farmers on the basis of tilled acreage not used for tobacco, wheat, or rice.

The marketing quota is to apply, subject to positive vote in a referendum of producers of the previous crop, during the next marketing year whenever the total supply of cotton is found to be more than 107 percent of the normal supply (a total of about 19 1/2 million bales). The marketing quota for any farm will allow the marketing of all the cotton produced on the farm's acreage allotment, plus some stored cotton under certain circumstances.

A penalty of 2 or 3 cents a pound, depending on the year of production and the year of marketing, will apply to cotton marketed in excess of the quota, except that if the total production of any farm with an acreage allotment is less than 1,000 pounds of lint cotton, no penalty is to apply.

Corn

A corn acreage allotment, which is to be made annually by the Secretary of Agriculture, will apply only to corn produced in the commercial corn-producing area. It must allow for an acreage such as will normally make available for market a supply of corn equal to 110 percent of a normal year's domestic consumption and exports (a total of about 2 1/2 billion bushels). This allotment is to be apportioned among States and counties principally according to past acreages, and among farmers on the basis of tillable acres, crop-rotation practices, and nature of farmland.

A marketing quota is to apply in the commercial area, subject to positive veto in a referendum of producers, during the marketing year when the estimated total supply exceeds 110 percent of the normal supply (a total of about 2-3/4 billion bushels). The quota must make available for market a normal supply. Most of the remaining ear-corn is to be stored and withheld from market (unless the storage amount for a farm is less than 100 bushels, in which case storage requirements do not apply).

Corn marketed out of storage amounts is subject to a penalty of 15 cents a bushel.

Wheat

The wheat acreage allotment, which is to be announced annually by the Secretary of Agriculture, is to be such as will normally make available for market a supply equal to 130 percent of a normal year's domestic consumption and exports (a total of about 910 million bushels). The allotment for 1938 is set by the Act at 62 1/2 million acres.

The allotment is to be apportioned among the States chiefly according to past acreage, among the counties on a similar basis adjusted to promote soil-conservation practices, and among producers on the same basis as that used for corn.

A marketing quota for wheat is to apply, unless vetoed in a referendum of producers, during the marketing year when the estimated domestic supply is more than 135 percent of a normal year's domestic consumption and exports (a total of about 950 million bushels). The quota must make available for market 130 percent of normal needs, less the estimated carry-over and the wheat needed for seed and livestock feeding during the year. In general, the quota for any farm is to be an announced "marketing percentage" of the acreage allotment, plus any non-penalty wheat held over from previous years. No quota is applicable in any year to producers whose normal production is less than 100 bushels.

The penalty for marketing in excess of a quota is 15 cents a bushel.

A special provision in the Act states that no quota is to apply in 1938 unless before May 15 provision has been made by law for payment in whole or in part in 1938 of parity payments on wheat. (Parity payments are provided for all five major commodities, but funds are not provided.)

Rice

An acreage allotment such as to make available for market a normal supply and a domestic allotment equal to the estimated amount needed for domestic consumption are to be announced annually by the Secretary of Agriculture.

The acreage allotment is to be divided among the rice States chiefly on the basis of past acreage, and among producers according to past production, production facilities, and crop-rotation practices. The domestic allotment is to be apportioned among both States and producers according to past production.

A quota permitting the marketing of a normal supply is to be applied, unless vetoed in a referendum of producers, when the total supply is more than 110 percent of a normal supply. The quota is to be apportioned among growers on the basis used for the domestic allotment.

The penalty for marketing in excess of a quota is 1/4 cent per pound.

The Act specifies that no quota is to be in effect during the marketing year beginning August 1, 1938.

Tobacco

No acreage allotment for tobacco is given in the Act. Allotments made and apportioned under the Soil Conservation and Domestic Allotment Act will be followed.

The Act divides tobacco into six kinds, to any of which a quota may apply.

A quota permitting the marketing of an amount equal to the reserve supply is to be effective, subject to veto in a referendum of producers of the previous crop, during the next marketing year when the supply is more than 105 percent of the normal supply. In the case of burley, fire-cured, and dark air-cured tobacco, quotas are to apply during the current marketing year when the supply is more than 105 percent of the reserve supply.

In general, the quotas are to be apportioned among the States according to past production, and among farmers according to past marketing, production facilities, and crop-rotation practices.

The penalty for marketing in excess of a quota varies with the price at the time of marketing and with the kind of tobacco. In most cases it will be 50 percent of the price at the time of marketing.